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BOYS AND GIRLS CLUBS
OF SOUTHEAST LOUISIANA, INC.

Independent Auditor's Report and Financial Statements
June 30, 2005

Deemer CPA and Consulting Services, LLC

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-7-06

Boys and Girls Clubs of Southeast Louisiana, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Boys and Girls Clubs Of Southeast Louisiana, Inc.

I have audited the accompanying statement of financial position of Boys and Girls Clubs of Southeast Louisiana, Inc. (a nonprofit organization) as of June 30, 2005, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The prior year audit reported a disclaimer of opinion on the financial statements and the amount recorded as beginning net assets does not agree with the prior year's ending net asset amount. Accordingly, it was not practicable for me to extend my audit of beginning net assets beyond the amount recorded.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the beginning net assets balance referred to in the preceding paragraph been susceptible to satisfactory audit tests, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Boys and Girls Clubs of Southeast Louisiana, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated May 17, 2006, on my consideration of Boys and Girls Clubs of Southeast Louisiana Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the financial statements of Boys and Girls Clubs of Southeast Louisiana, Inc. taken as a whole. The schedule of functional expenses is presented on page 11 for purposes of additional analysis and is not a required part of the financial statements of the organization. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Deemer CPA and Consulting Services, LLC
New Orleans, Louisiana
May 17, 2006

**BOYS & GIRLS CLUBS
OF
SOUTHEAST LOUISIANA, INC.**

Statement of Financial Position

June 30, 2005

Assets	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current assets:				
Cash	\$ 323,726		2,650	\$ 326,376
Accounts Receivable - United Way	8,117	258,791		266,908
Accounts Receivable - Grants and Other	73,300			73,300
Prepaid Expenses	17,366			17,366
Total current assets	<u>422,509</u>	<u>258,791</u>	<u>2,650</u>	<u>683,950</u>
Land, building and equipment, net of accumulated depreciation	<u>359,695</u>			<u>359,695</u>
Total assets	<u>\$ 782,204</u>	<u>258,791</u>	<u>2,650</u>	<u>\$ 1,043,645</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts Payable & other liabilities	\$ 55,328			\$ 55,328
Contingency - Pension Liability	62,040			62,040
Deferred Revenue - NFL/YET	317,558			317,558
Payroll tax & related liabilities	124,016			124,016
Total current liabilities	<u>558,942</u>			<u>558,942</u>
Net assets:				
Unrestricted	223,262			223,262
Temporarily restricted		258,791		258,791
Permanently restricted			2,650	2,650
Total net assets	<u>223,262</u>	<u>258,791</u>	<u>2,650</u>	<u>484,703</u>
Total liabilities and net assets	<u>\$ 782,204</u>	<u>258,791</u>	<u>2,650</u>	<u>\$ 1,043,645</u>

The accompanying notes are an integral part of these financial statements.

**BOYS & GIRLS CLUBS
OF
SOUTHEAST LOUISIANA, INC.**

Statement of Activities

For the Fiscal Year Ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions	\$ 135,662	-	-	\$ 135,662
Allocation from United Way	8,117	243,784	-	251,901
Designation and Combined Federal program funds received from United Way	11,260	15,007	-	26,267
Membership dues	15,062	-	-	15,062
Program service fees	41,062	-	-	41,062
Grants and Contracts	600,494	-	-	600,494
Other	19,994	-	-	19,994
Total revenues	<u>831,651</u>	<u>258,791</u>	<u>-</u>	<u>1,090,442</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>438,600</u>	<u>(438,600)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>\$ 1,270,251</u>	<u>(179,809)</u>	<u>-</u>	<u>\$ 1,090,442</u>
Expenses:				
Program services:				
Social Development	1,612,473	-	-	1,612,473
Total program services	<u>1,612,473</u>	<u>-</u>	<u>-</u>	<u>1,612,473</u>
Supporting services:				
Management and general	161,474	-	-	161,474
Fund raising	59,375	-	-	59,375
Total supporting services	<u>220,849</u>	<u>-</u>	<u>-</u>	<u>220,849</u>
Total expenses	<u>1,833,322</u>	<u>-</u>	<u>-</u>	<u>1,833,322</u>
Changes in net assets	<u>(583,071)</u>	<u>(179,809)</u>	<u>-</u>	<u>(742,880)</u>
Net assets, beginning of year	1,451,808	234,367	2,650	1,688,823
Prior Period Adjustment, Net Assets	<u>(685,473)</u>	<u>204,233</u>	<u>-</u>	<u>(461,240)</u>
Beginning Net Assets, Restated	<u>766,333</u>	<u>438,600</u>	<u>2,650</u>	<u>1,227,583</u>
Net assets, end of year	<u>\$ 223,262</u>	<u>268,791</u>	<u>2,650</u>	<u>\$ 484,703</u>

The accompanying notes are an integral part of these financial statements.

**BOYS & GIRLS CLUBS
OF
SOUTHEAST LOUISIANA, INC.**

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2005

Cash flows from operating activities:	
Change in net assets	(742,880)
Adjustments to reconcile changes in net assets to net cash provided b operating activities:	
Depreciation	137,895
Changes in operating assets and liabilities:	
Accounts receivable - United Way	171,692
Accounts receivable - grants and other	(73,300)
Prepaid expenses	(5,229)
Accounts payable and Other liabilities	(36,188)
Payroll taxes and liabilities	(13,277)
Deferred revenue - NFL/YET	317,558
Contingency - Pension Liability	<u>62,040</u>
Net cash provided by operating activities	(181,689)
Cash flows from investing activities:	
Purchase of equipment	<u>(2,924)</u>
Net cash used in investment activities	(2,924)
Cash flows from financing activities:	
Decrease in Cash Overdraft	<u>(5,294)</u>
F	
Net cash used in financing activities	(5,294)
Prior Period Adjustment to Net Assets	<u>(461,240)</u>
Decrease in cash and cash equivalents	(651,147)
Cash and cash equivalents at beginning of year	<u>977,523</u>
Cash and cash equivalents at end of year	<u>\$ 326,376</u>

The accompanying notes are an integral part of these financial statements.

Boys and Girls Clubs of Southeast Louisiana, Inc.
Notes to the Financial Statements
June 30, 2005

1. Summary of Significant Accounting Policies

General

Boys and Girls Clubs of Southeast Louisiana, Inc. (Boys and Girls Clubs), is a non-profit organization with Club locations in New Orleans, Gretna, Slidell, Covington, Houma and Hammond which are utilized to provide programs and services to enhance the development of boys and girls. The Clubs offer diversified program activities to instill character and leadership development, education and career development, health and life skills, the arts, sports, fitness and recreation. Boys and Girls Clubs is an affiliate member of the Boys and Girls Clubs of America.

Basis of Accounting

The accounts of Boys and Girls Clubs are maintained in accordance with fund accounting principles to ensure that both resources and disbursements are classified according to the activities and objectives specified.

The net assets and changes therein of Boys and Girls Clubs are classified as follows:

- Unrestricted Net Assets – Net Assets not subject to donor-imposed restrictions.
- Temporarily restricted Net Assets – Net assets subject to donor-imposed restrictions that may be met either by an action and/or through the passage of time.
- Permanently restricted Net Assets – Net Assets subject to donor-imposed restrictions that will not expire through the passage of time and/or an action.

Federal Income Tax

Boys and Girls Clubs is exempt from Federal income tax under the Internal Revenue Code Section 501(c)(3).

United Way Campaign Support

A major source of funding for the Boys and Girls Clubs is derived from the United Way for the Greater New Orleans Area. The United Way for the Greater New Orleans Areas' donations are recorded as temporarily restricted revenue and accounts receivable when

Summary of Significant Accounting Policies (continued)

the award letters are released for the next fiscal year. In the following fiscal year, the time restriction is fulfilled and the asset is released as an unrestricted asset.

NFL/YET Center

Boys and Girls Clubs of Southeast Louisiana, Inc. received a one million dollar grant from the National Football League Charities, Inc. in June 2004. The funds are to be utilized to finance NFL/YET operations, programming and development in New Orleans.

Contributions

Contributions made to the Boys and Girls Clubs are available for the organizations' general programs unless restricted by the donor. Any restricted donations are reported as temporarily restricted support until the donor restrictions expire, at which time the net asset is reclassified to unrestricted net assets.

Land, Building and Equipment

Improvements which significantly extend the useful life of an asset and purchases of land, buildings and equipment are capitalized at cost. The straight line method of depreciation is used for the assets owned by the Boys and Girls Clubs. Gifted long-lived assets are reported at their estimated fair market value and as unrestricted, in the absence of donor-imposed restrictions on the use of assets.

Cash and Cash Equivalents

Cash is comprised of cash in banks.

Compensated Absences

Employees earn ten to twenty vacations days on an annual basis, depending upon their years of service. Unused vacation days are not carried forward to the next year, any unused time is lost.

Employees also earn ten days of sick leave per calendar year. Unused sick leave is also lost if not used by the end of the calendar year.

Summary of Significant Accounting Policies (continued)

Use of Estimates

The financial statements of Boys and Girls Clubs are prepared in conformity with generally accepted accounting principles which include estimates made by management. Accordingly, actual results may differ from those estimates.

Economic Dependency

Boys and Girls Clubs' receives its funding through grants from the State of Louisiana, Boys and Girls Clubs of America, and other local municipalities. Additionally, the organization receives contributions from the United Way of the Greater New Orleans Area and the NFL/YET program. Any significant budget cuts or reduction in donations could have a significant impact on the operations of the organization.

2. Prepaid Expenses

As of June 30, 2005 prepaid expenses consisted of:

Worker's Compensation Insurance	\$ 2,196
Automobile Insurance	3,972
General Liability Insurance	7,535
Fiduciary Liability Insurance	833
Rent	<u>2,830</u>
Total	<u>\$17,366</u>

3. Accounts Receivable

Accounts receivable-grants and other are stated at the amounts due from various grant awarding agencies. Management expects to collect all of the outstanding balances therefore an allowance for doubtful accounts has not been established.

Also, accounts receivable-United Way consists of donations recognized as temporarily restricted when the award letters are released for the next fiscal year. In the next fiscal year, the time restrictions are met and the asset is released as unrestricted.

4. Land, Buildings and Equipment

Land	\$ 92,360
Building	445,724
Pool	320,000
Furniture, fixtures, and equipment	<u>151,405</u>
	\$ 1,009,489
Less accumulated depreciation	<u>(649,794)</u>
Land, buildings and equipment – net	\$ <u>359,695</u>

5. Operating Leases

The Boys and Girls Clubs of Southeast Louisiana, Inc. leases several facilities for its main office and clubs. Lease expense for the year ended June 30, 2005 was \$110,428, which includes \$57,943 in donated lease facilities.

6. Contingencies

A civil suit was brought against the Boys and Girls Clubs of Southeast Louisiana, Inc. by a former employee alleging that employer contributions were not submitted to the organizations' retirement plan. On June 10, 2005, the Boys and Girls Clubs of Southeast Louisiana, Inc. entered into a settlement agreement to pay the former employee \$62,040 including interest and attorney fees. Monthly payments were agreed upon by both parties and are scheduled to begin August 2005.

7. Payroll Tax

The Boys and Girls Clubs of Southeast Louisiana, Inc. has a significant amount of delinquent federal and state payroll taxes. The Internal Revenue Service and the State of Louisiana Department of Labor has established installment plans, in the amount of \$3,800 and \$635 per month, respectively until the balances are paid in full. These installment plans are contingent upon the organizations' timely submission of the payment amounts as well as their timely submission of any current payroll taxes.

8. Functional Allocation Of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. Donated Facilities

The Boys and Girls Clubs of Southeast Louisiana, Inc. has four clubs that occupy several different facilities rent free. The estimated fair value of the annual rent for the Gretna, Downtown New Orleans, Covington, and Houma clubs is \$57,943 and it is included in contributions and expenses in the statement of activities.

10. Prior Period Adjustments

Prior period adjustments were made to unrestricted net assets and temporarily restricted net assets to recognize prior unrecorded deferred grant revenue and unrecognized United Way pledges.

11. Subsequent Event

A natural disaster occurred in the City of New Orleans and its surrounding parishes on August 29, 2005, which substantially impacted the operations of this agency. It damaged certain property and equipment purchased by the organization for use at its clubs, and displaced many of its club members. The amount of damages sustained and future impact on the organizations' operations is indeterminable at this time.

**BOYS & GIRLS CLUBS
OF
SOUTHEAST LOUISIANA, INC.**

Statement of Functional Expenses

For the Fiscal Year Ended June 30, 2005.

	Program Services		Support Services		Total
	Social Development	Management and general	Fund- raising		
Expenses:					
Salaries & Wages	\$ 908,887	53,720	50,824	\$ 1,013,431	
Employee benefits	34,878	-	-	34,878	
Payroll taxes and related expenses	86,159	4,734	3,787	94,680	
Total salaries and related benefits	<u>1,029,924</u>	<u>58,454</u>	<u>54,611</u>	<u>1,142,989</u>	
Professional fees and contract services					
Supplies	26,142	68,989	-	95,131	
Telephone	40,340	5,683	2,340	48,363	
Water & Utilities	11,443	12,598	-	24,041	
Other office expenses	25,528	-	-	25,528	
Summer Camp expenses	14,987	2,250	2,424	19,661	
Food Supplies	71,687	-	-	71,687	
Occupancy	38,950	-	-	38,950	
Equipment Maintenance	96,928	13,500	-	110,428	
Taxes, penalties and interest	12,966	-	-	12,966	
Insurance	13,323	-	-	13,323	
Conferences, conventions, meetings, major trips	48,528	-	-	48,528	
Dues support to Boys & Girls Clubs of America	27,846	-	-	27,846	
Depreciation	13,227	-	-	13,227	
Miscellaneous expenses	137,895	-	-	137,895	
	<u>2,759</u>	<u>-</u>	<u>-</u>	<u>2,759</u>	
Total Expenses	<u>\$ 1,612,473</u>	<u>161,474</u>	<u>59,375</u>	<u>\$ 1,833,322</u>	

The accompanying notes are an integral part of these financial statements.



CPA & CONSULTING
SERVICES, LLC

BRENDEL W. DEEMER, CPA
bwdeemer@bellsouth.net

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Boys and Girls Clubs of Southeast Louisiana, Inc.

I have audited the financial statements of Boys and Girls Clubs of Southeast Louisiana, Inc. (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued my report thereon dated May 17, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Boys and Girls Clubs of Southeast Louisiana Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Boys and Girls Clubs of Southeast Louisiana Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 05.1

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider the reportable condition described above, 05.1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys and Girls Clubs of Southeast Louisiana, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 05.1.

This report is intended solely for the information and use of the finance committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deemer CPA and Consulting Services, LLC

New Orleans, Louisiana

May 17, 2006

Boys and Girls Clubs of Southeast Louisiana, Inc.
Schedule of Findings and Questioned Costs
June 30, 2005

05.1 Maintenance of Records

Criteria: Internal Controls and sound business practices require financial records and supporting documentation to be stored in a secondary location to secure it from possible loss.

Condition: The membership application records maintained by five of seven Boys and Girls Clubs were destroyed by a recent hurricane.

Cause: Records for the individual club sites are not maintained in a secondary location.

Effect: Membership application records were available for only two of seven Boys and Girls Clubs. Consequently, certain tests of membership rosters were incomplete.

Recommendation: A secondary location for club records should be established and utilized to ensure that records are available in the event of a disaster at the club sites.

Management's Response: The Boys and Girls Clubs of Southeast Louisiana, Inc. has begun the process of evaluating record retention and offsite storage processes. At a minimum, critical records will be copied to compact discs and stored at offsite locations. We are assessing the possibility of using a vendor that will periodically backup and store data electronically outside of Southeast Louisiana.

Boys and Girls Clubs of Southeast Louisiana, Inc.
Schedule of Prior Year Findings and Questioned Costs
June 30, 2005

		Resolved	Unresolved	Partially Resolved
04.1	Accounting Department Staffing	X		
04.2	Incomplete, Untimely, and Un-reconciled Financial Statements	X		
04.3	Inappropriate Use of Journal Entries	X		
04.4	Inadequate Training on Blackbaud Accounting System	X		
04.5	Fund Accounting Not Fully Implemented	X		
04.6	Fixed Assets Schedule Not Maintained	X		
04.7	Eligibility Requirements for Member Organizations Not Met	X		
04.8	Accounting Manual and Personnel Policy Manual are Outdated	X		
04.9	Reimbursement for Meals Not Associated with Out-Of-Town Travel	X		
04.10	Debit Cards Maintained on Cash Accounts	X		
04.11	Checks Written Without Required Second Signature			X
04.12	Personnel Files Not Updated	X		
04.13	W-2's Not Issued To All Employees	X		
04.14	Inadequately Documented Employee Earnings		X	

Boys and Girls Clubs of Southeast Louisiana, Inc.
Schedule of Prior Year Findings and Questioned Costs (Continued)
June 30, 2005

	Resolved	Unresolved	Partially Resolved
04.15 No Supporting Documentation on Various Expenditures		X	
04.16 Payments Made To Political Organizations	X		
04.17 Delinquent Audit Report Submission	X		
03.1 Bank Reconciliations Not Performed On a Regular Basis	X		
03.2 Temporarily Restricted net assets were used in prior years to fund the operating expenses of Boys and Girls Clubs	X		
03.3 Payroll Tax and Related Liabilities various unpaid payroll related liabilities		X	
03.4 Financial Statements are not prepared on a monthly basis	X		

Managements Response to Prior Years Findings

04.11 Check Written Without Second Signature

This problem occurred in the early part of the fiscal year. Per the auditors testing, only one exception was observed. Internal controls were strengthened to alleviate this problem. In addition, personnel changes were made. Corrective actions taken during the fiscal year will prevent recurrence.

04.14 Inadequately Documented Employee Earnings

This problem reflects earnings in the early part of the fiscal year. Internal were strengthened to alleviate this problem. In addition, personnel changes were made. Since corrective action was initiated during the fiscal year, no additional incidents related to this finding have occurred.

04.15 No Supporting Documentation on Various Expenditures

Some examples of lack of supporting documentation occurred for such items as field trips and others included items where receipt stubs were available but lacked details of purchases. Procedures have been updated to require full documentation at time of payment.

03.3 Payroll Taxes and Related Liabilities

Offers in Compromise were not accepted by the Internal Revenue Service. A payment plan was initiated. A plan was developed to satisfy all unpaid payroll taxes and related liabilities. We expect full payment during Fiscal Year 2006.